

# **Financial Condition of Idaho Agriculture**

**Idaho State Joint Legislative  
Economic Outlook & Revenue Assessment Committee**

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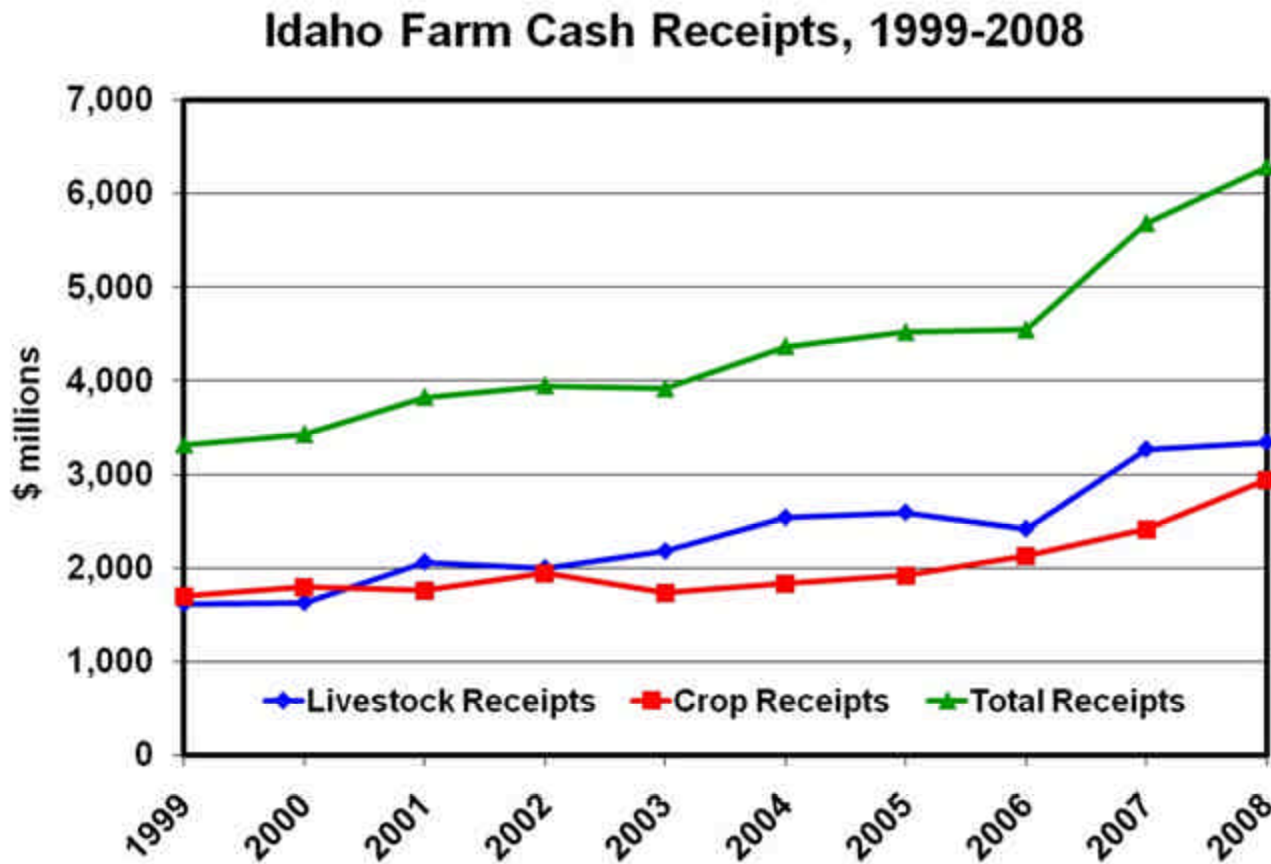
# Idaho Agricultural Outlook

- **2008 Forecast\***
  - Cash receipts
  - Farm income
  - Net Value Added
- **2009 Outlook**
- **Ag Impact**



**\*Calendar not crop year comparison**

# Idaho Cash Receipts – 2008



Cash receipts: record high **\$6.3 B** - **↑11%** above 2007

Livestock receipts: **↑2%** to \$3.3 B

Crop receipts: **↑22%** to \$2.9 B

# Livestock Cash Receipts – 2008

- **Cattle & Calves:** ↓ 2%
  - Inventories slightly higher
  - Prices fell sharply in September
  - High feed costs
- **Milk:** ↑ 5%
  - Largest revenue producer
  - Production up 8%
  - Prices down 3%

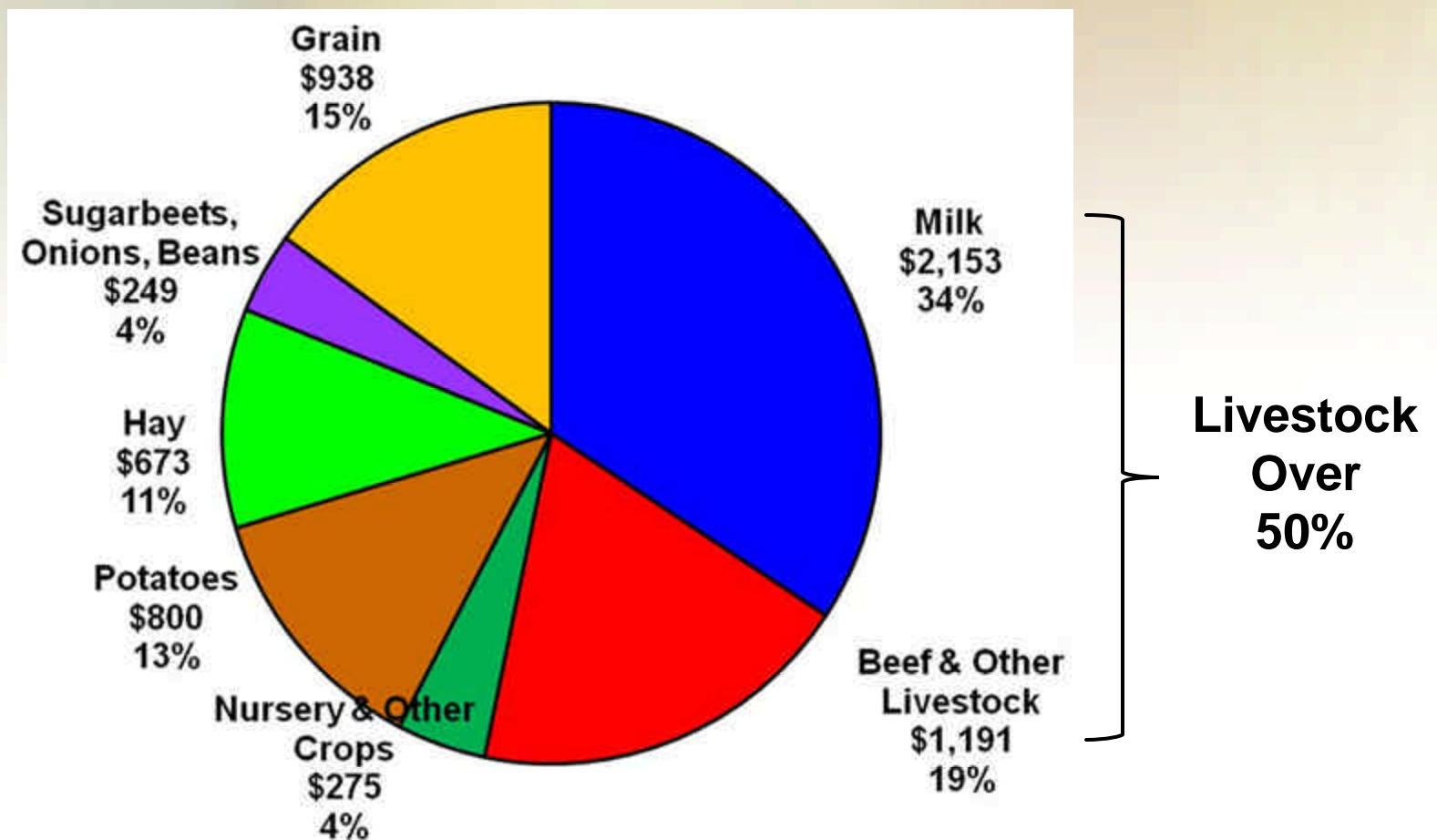


# Crop Cash Receipts – 2008

- **Potatoes: ?13%**
  - Idaho's largest crop
  - Production down 12%, prices up 22%
  - Highest revenue ever
- **Wheat: ?55%**
  - 2<sup>nd</sup> largest crop, edging out hay
  - Production up 17%, prices up 45%
  - Highest prices ever
- **Barley: ?62%**
  - Production up 13%, prices up 31%
  - 4<sup>th</sup> crop
- **Hay: ?47%**
  - 3<sup>rd</sup> largest crop
  - Production – alfalfa up 4%; other hay up 20%
  - Prices up 42%
- **Beans: ?29%**
  - Production down 4%
  - Prices up 40%
- **Greenhouse/Nursery: ?2%**
- **Onions: ?8%**
  - Production down 14%
  - Prices higher
- **Sugarbeets: ?30%**
  - Production down 37% and prices stronger.
  - Lowest since 1984



# Idaho Cash Receipts (\$ Millions)



# Idaho Cash Receipts...

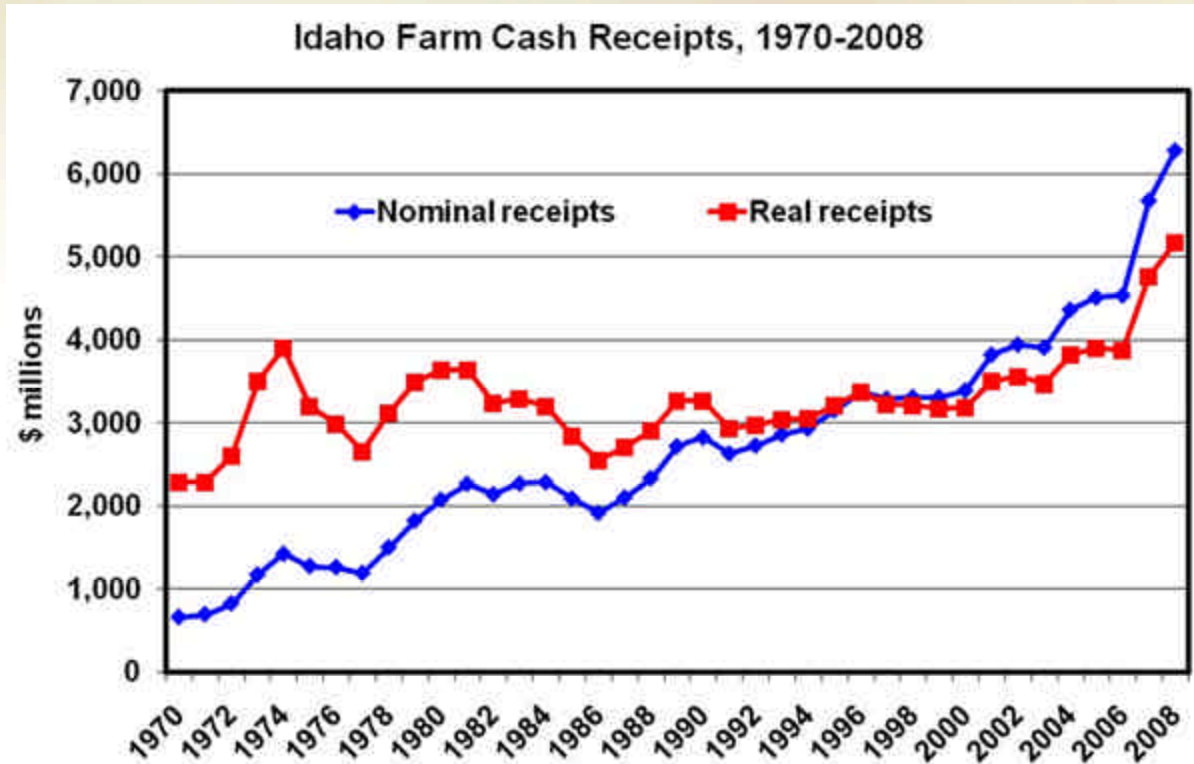
## *Last 39 Years*

### Nominal \$

- 2008 record high

### Real \$

- 2008 record high
- 57% above 39-year average
- 39 year low in 1971, followed 3 years later by record high
- Stability, 1990's & early 2000's
- 2.3% annual growth during last 20 years (1989-08)

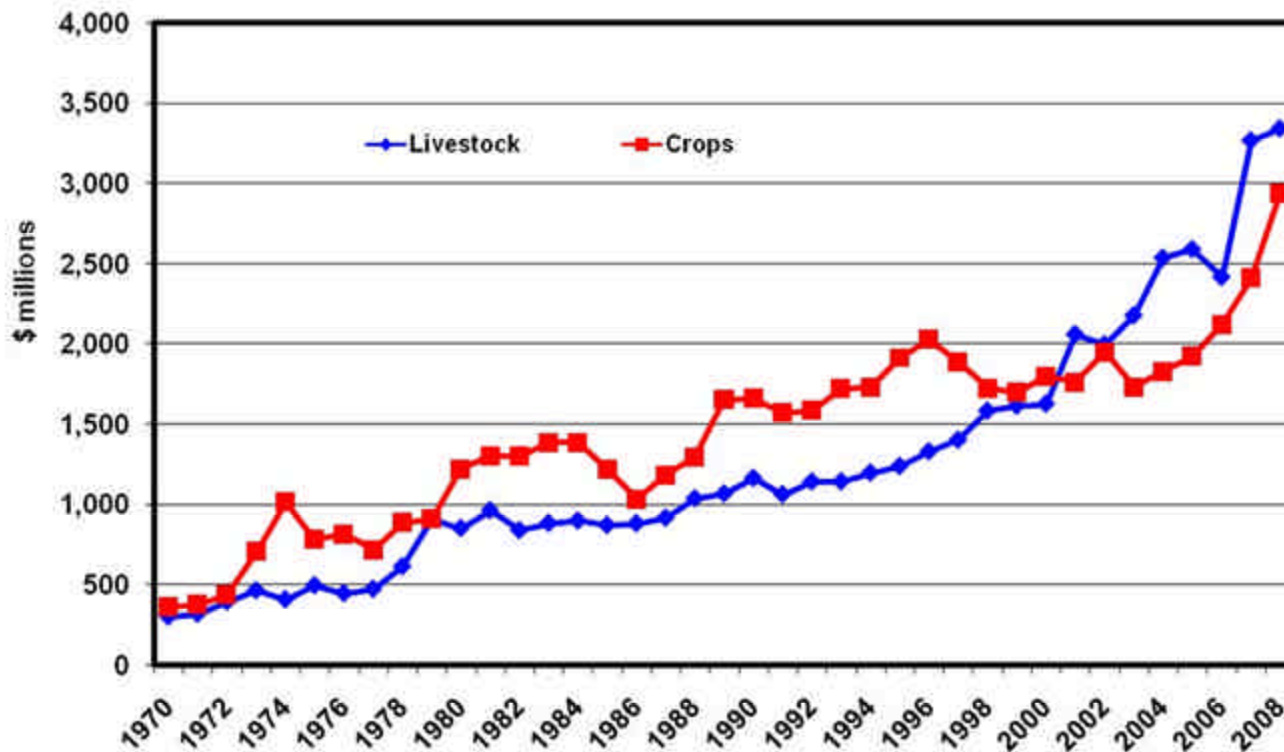


**Real = Inflation Adjusted, 1996**

# Livestock & Crop Receipts...

## *The Last 39 Years*

Livestock & Crop Receipts, 1970 - 2008



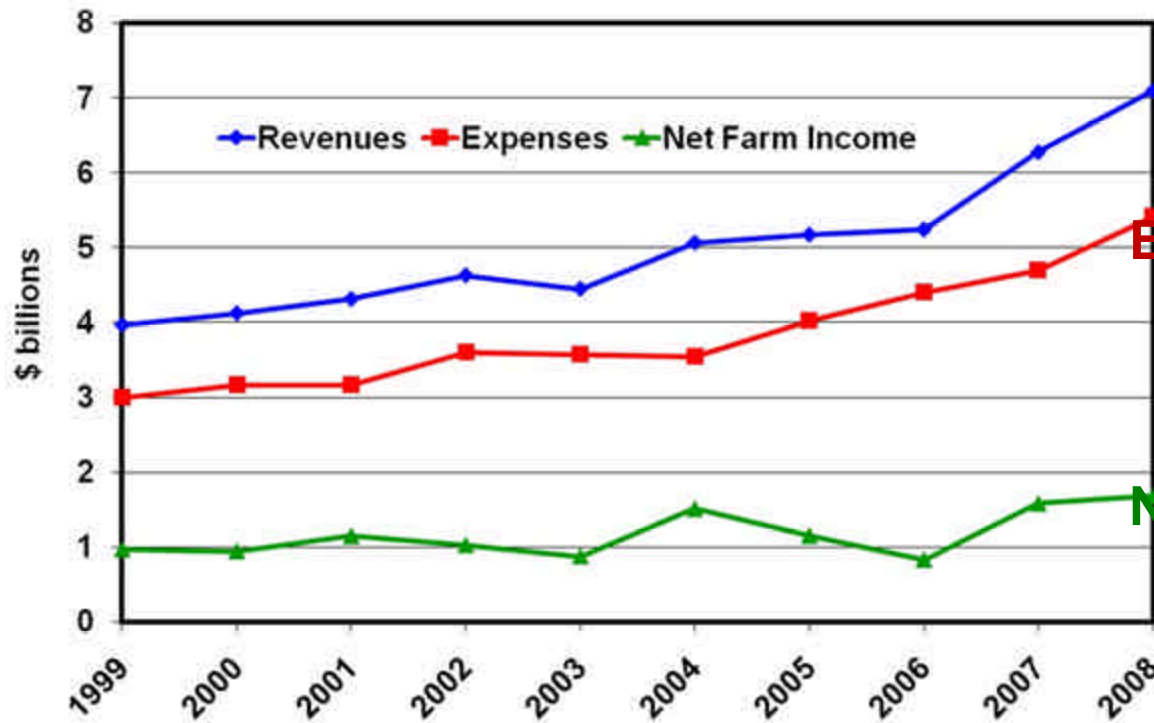
Livestock: 7.5%  
annual growth  
during last 10 years

Crops: 5.7% annual  
growth during last  
10 years



# Idaho Net Farm Income - 2008

Idaho Net Farm Income, 1999-2008



## Revenues

- Steady livestock receipts (+2%)
- Strong crop receipts (+22%)
- Government payments (-4%)

## Expenses

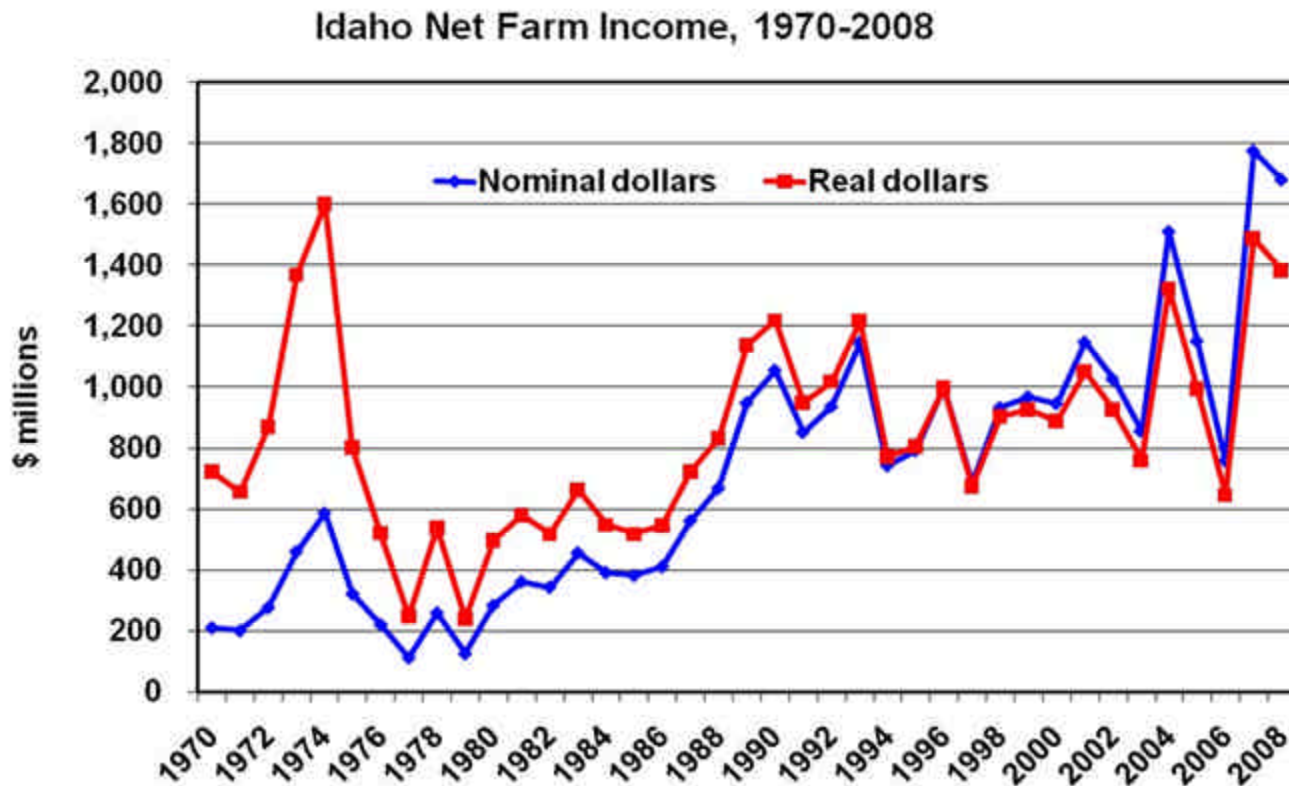
- Farm origin inputs (+17%)
- Manufactured inputs (+35%)
- Other inputs (+12%)

## Net Farm Income

- \$1.7 billion (-5%)

# Idaho Net Farm Income...

## *The Last 39 Years*



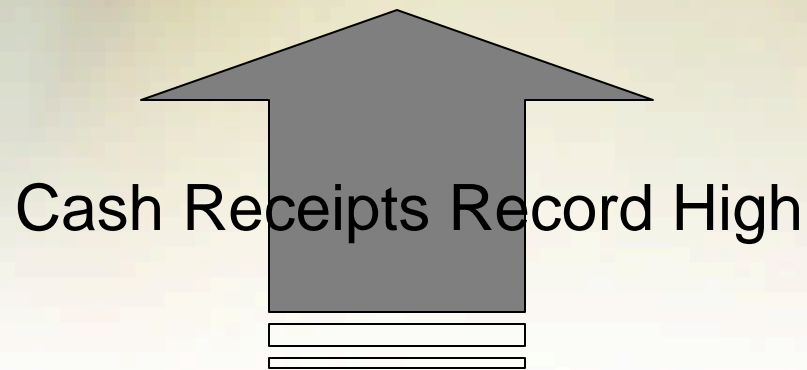
### Nominal \$

- 2008 – 2<sup>nd</sup> highest ever

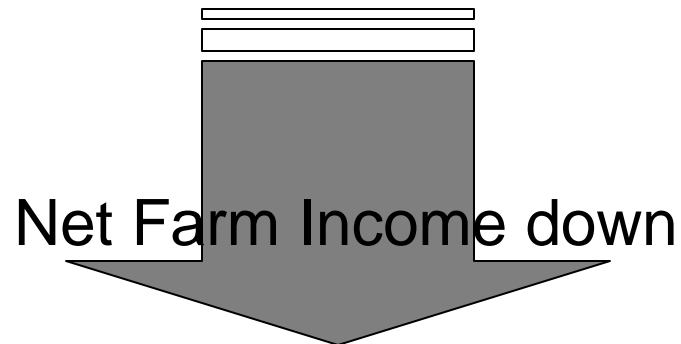
### Real \$

- 2008 – 5<sup>th</sup> highest ever
- Income volatility
  - 1974: 39-year high ...low in 1979
  - Stability: 1990-2002
  - New era of volatility since 2003.....?

# 2008 Bottom Line



**\$6.3 Billion**



**\$1.7 Billion**

# Outlook for 2009 & Beyond

## Mega Trends

### Pluses

- Lower fuel & fertilizer prices
- Lower interest rates
- Water outlook is good

### Minuses

- Recession: U.S. & worldwide
- Labor: scarce & higher costs
- Immigration Reform (or not)
- Higher land rents
- Water issues
- Stronger dollar - lower exports
- Credit availability

# Outlook for 2009 – Beef



- Weaker demand
- Prices lower
- Cattle cycle
  - Down hill side
  - Beef inventories down
- Imports from Canada down
- Japan & Korea exports



# Outlook for 2009 – Dairy



- Dairies slow expansion  
(10 yr avg:+ 23,000 head/yr)
- Idaho is 3rd after California  
and Wisconsin CA and WI
- Prices keep falling
- High feed costs
- 2 new processors

# Outlook for 2009 – Wheat

## Prices

- Weaker, but still volatile
- Prices back below cost of production
- Production lower than expected would send prices up sharply

## Production

- U.S. and world acreage: likely down in response to lower prices
- Weather/climate risk is rising

## Stocks

- World stocks up 28%
- U.S. stocks up 104%



# Outlook for 2009 – Barley

## Prices

- Weaker, especially on feed barley
- Malting barley contract prices, also lower
- Malt barley contract prices tied to wheat futures are the rule, not fixed price contracts

## Production

- Acreage down because of lower prices



# Outlook for 2009 – Potatoes

## Production:

- Likely up
- Contract acres: stable
- No economically attractive alternative crops
- Can United Potato Growers of Idaho continue to limit acres?

## Prices:

- Stable or down on fresh & up on process
- Contract prices up significantly (+40-50%)
- Increased production will reduce fresh market prices

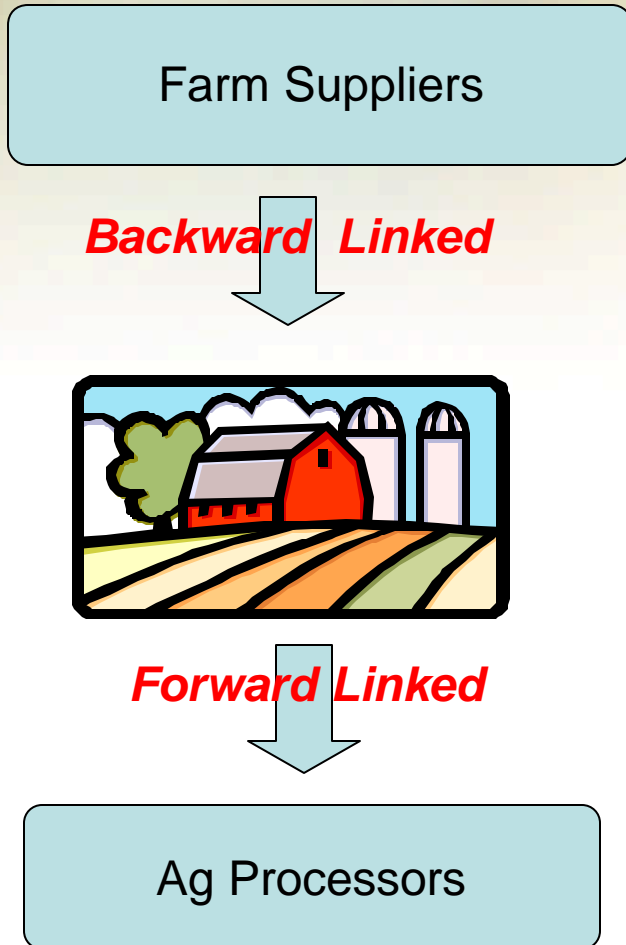


## Input costs:

- Overall, up only slightly
- Savings on fuel and fertilizer will help cover cost increases on other inputs
- Large increase in seed prices likely

# The Contribution of Agriculture to Idaho's Economy: 2006

Watson, Cooke, and Taylor



## *What is Agribusiness?*

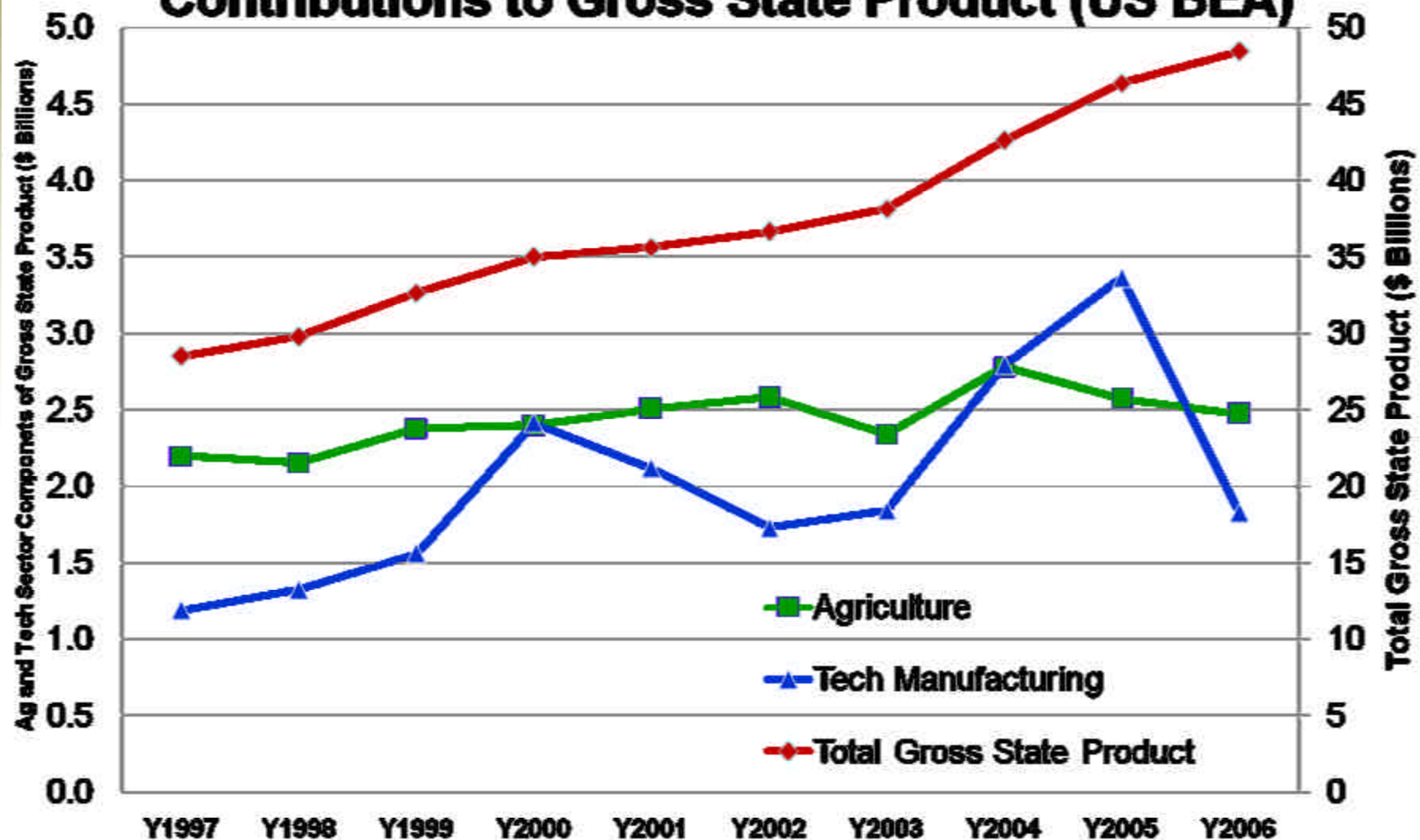
- The farm foundation or middle link
- Backward links (suppliers)
- Forward links (processors)
- Excludes McDonalds & Albertsons

## *Contribution: Gross vs. Base Economy*

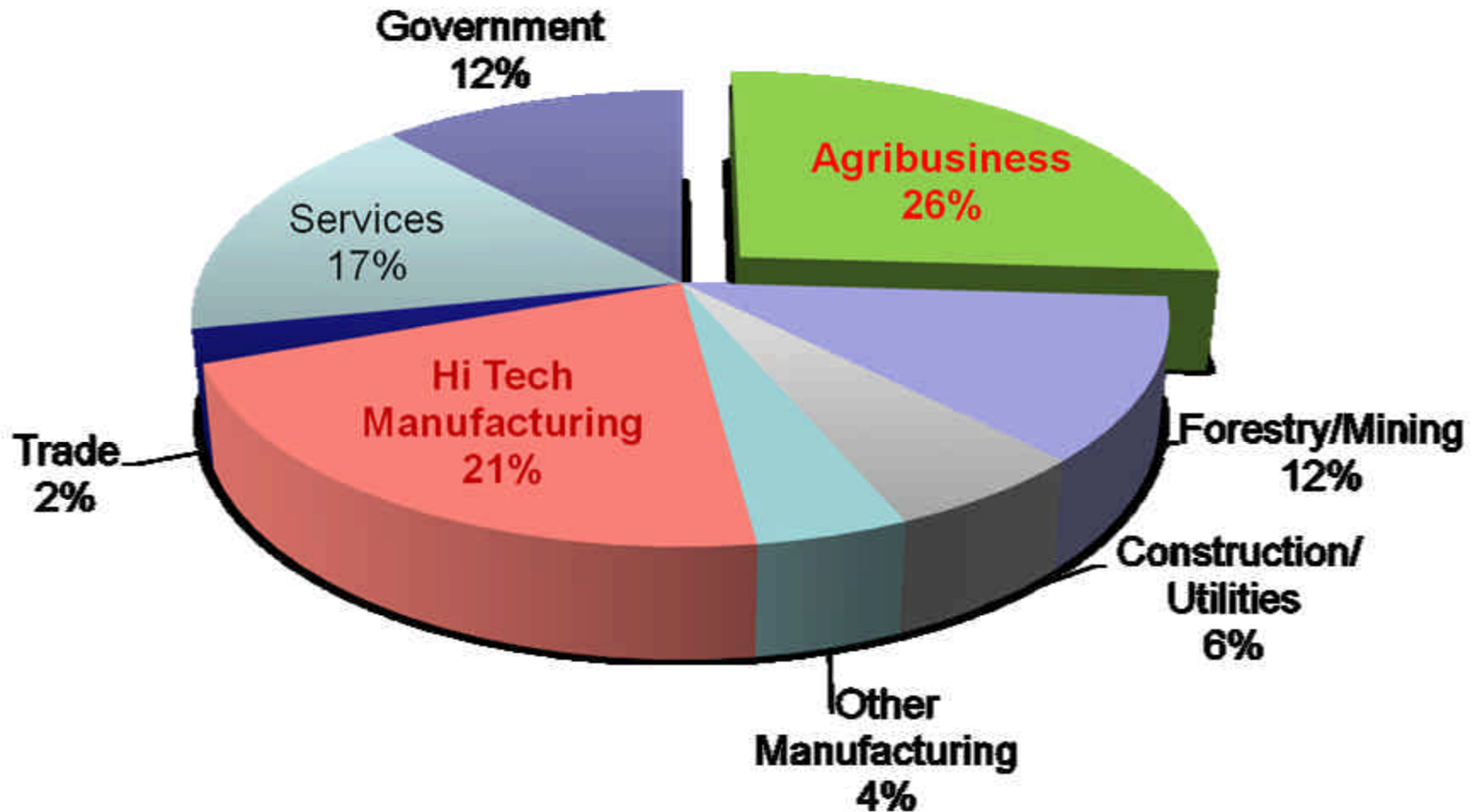
- How we slice the pie
- **Gross** (sales, VA, jobs): simple accounting of the economic activity in a given sector
- **Base** (sales, VA, jobs): economic activity in all sectors driven by a given sector's exports (new money in economy)



## Agriculture and Tech Manufacturing Gross Contributions to Gross State Product (US BEA)

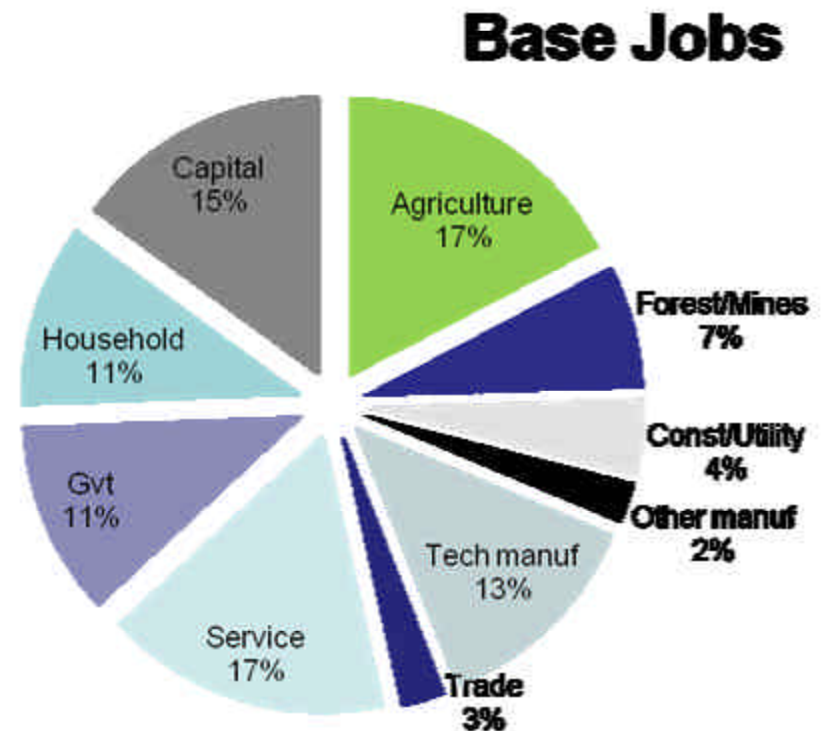
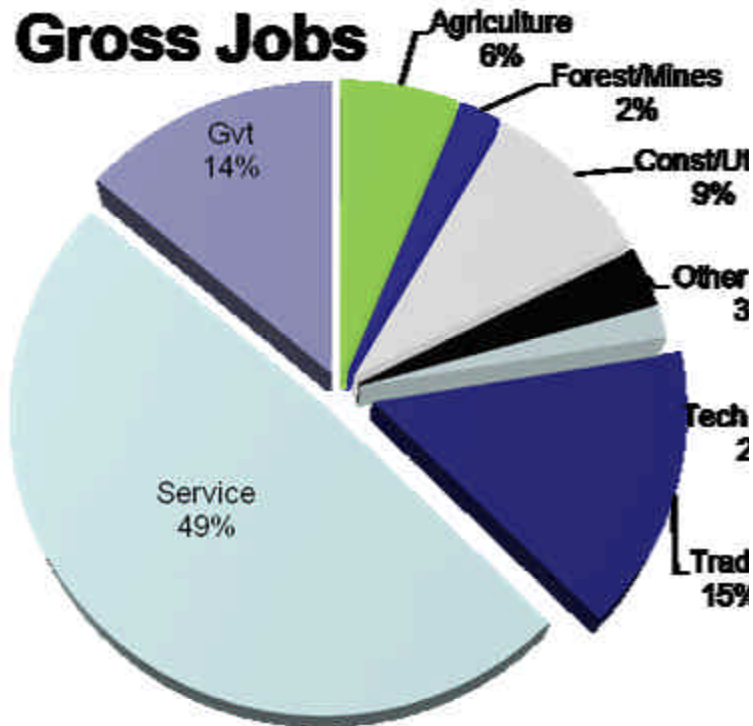


# ***Idaho Exports \$34B***

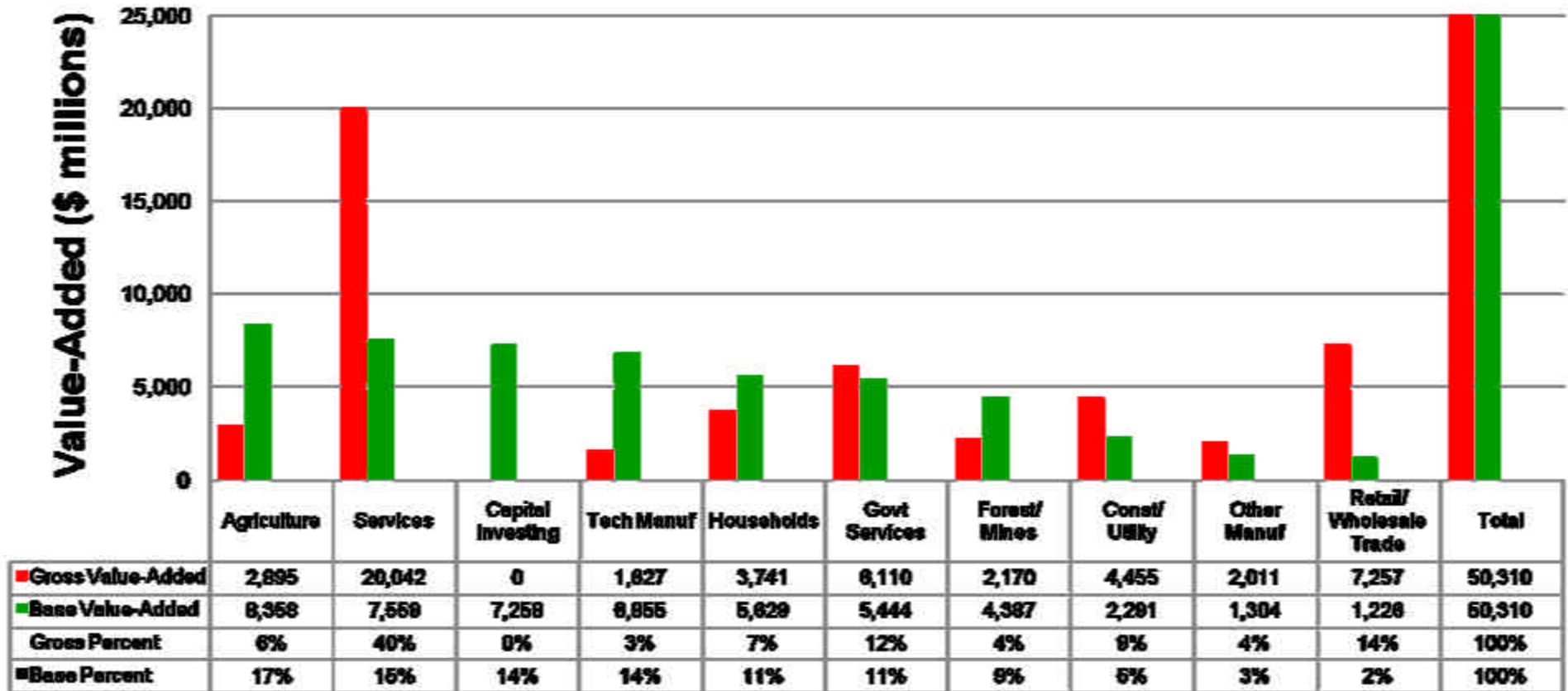


# Gross Jobs vs. Base Jobs

(900,000 total jobs)

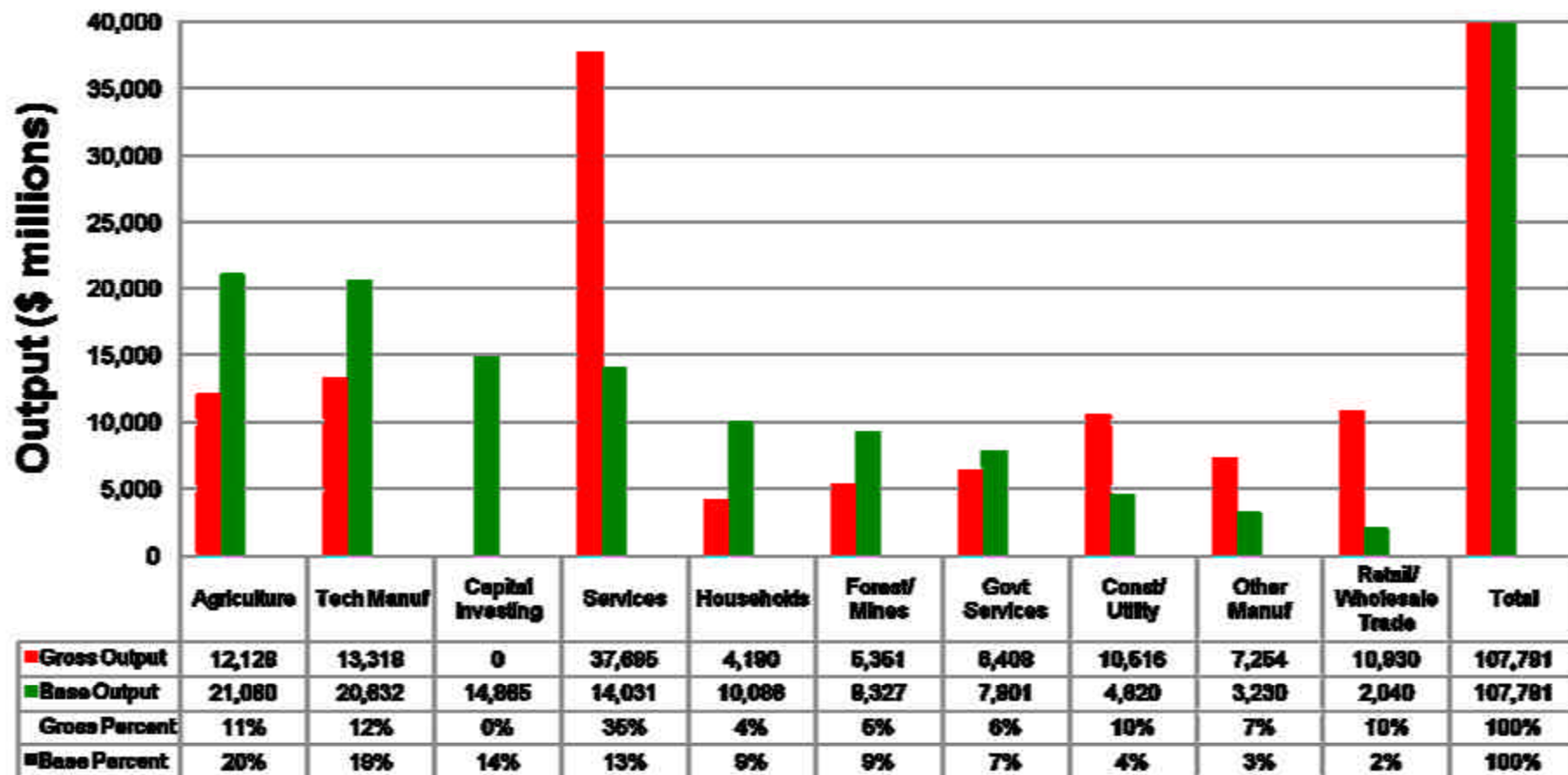


# Gross vs. Base: Value Added (\$50B GSP)



# Gross vs. Base:

## Sales (\$108B)





# “Agriculture is the single largest contributor to the economic base of Idaho’s economy”

## ■ Agribusiness - 1<sup>st</sup>

- \$21 billion sales (20%)
- 157,000 jobs (17%)
- \$4.2 billion wages (15%)
- \$8.4 billion GSP (17%)



## ■ High Tech - 2<sup>nd</sup>

- \$20.6 billion sales (19%)
- 115,000 jobs (13%)
- \$4.2 billion wages (15%)
- \$6.9 billion GSP (14%)



# Discussion

# Structure of Idaho Ag

## Decreasing Ag diversification

- Milk & Cattle – 53% of cash receipts
- Other crops & livestock getting smaller (e.g. sheep, fruit, seeds, mint)

## Linked businesses changing

- Backward links – service & input businesses
- Forward links – packing & processing

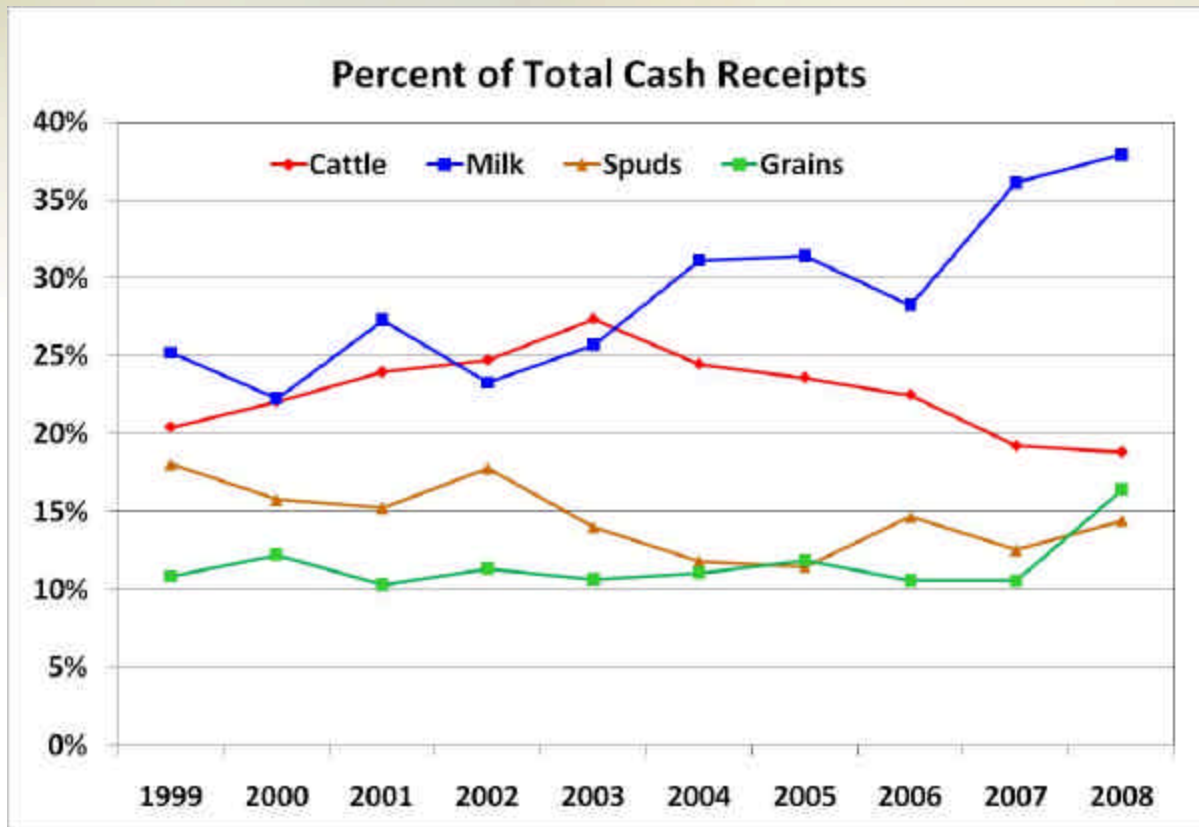
## Causes

- Greater specialization
- Size economies



# Idaho's changing agriculture...

## *The Last 10 Years*



**Cattle:** average 23%,  
but up then down

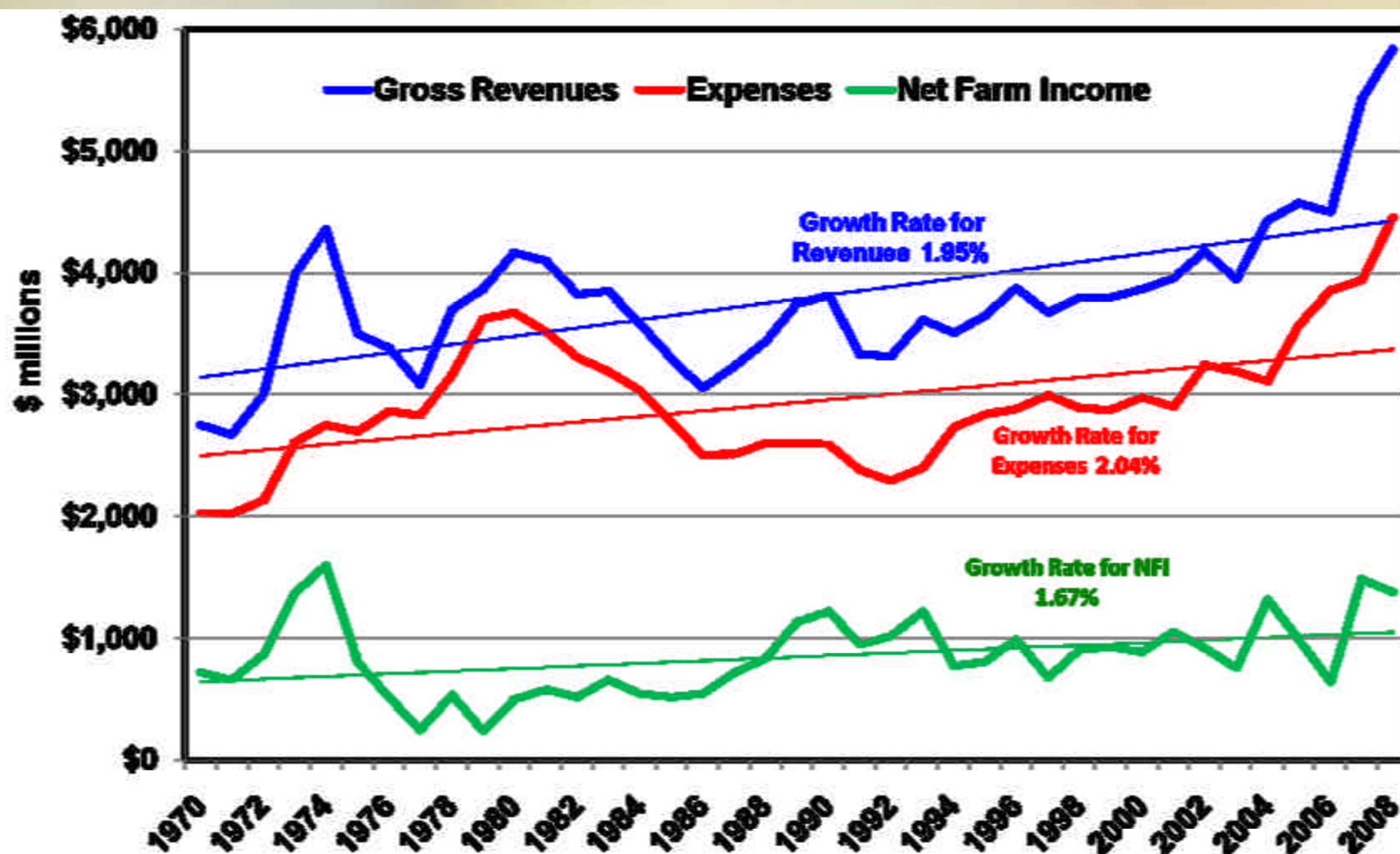
**Milk:** increasing  
from 25% to 38%

**Spuds:** declining  
from 18% to 14%

**Grains:** steady 12%,  
up sharply



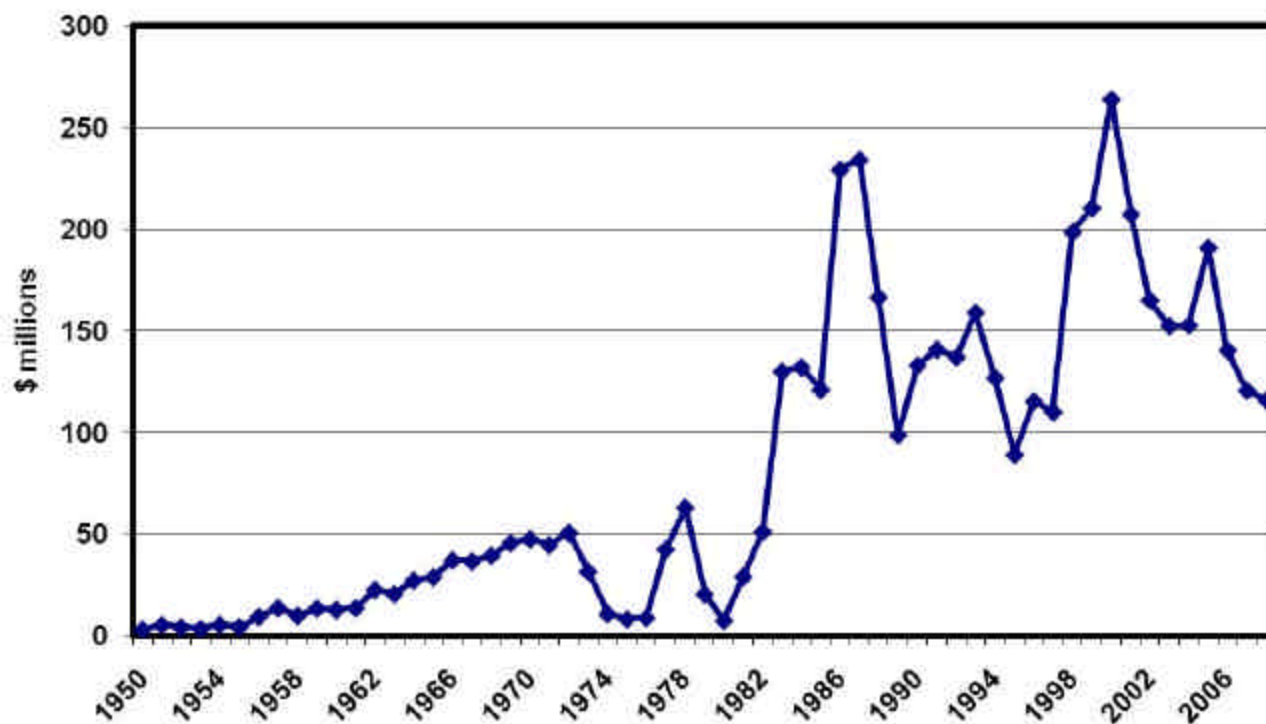
## Idaho Agriculture Gross Revenues, Expenses & Net Farm Income 1970 - 2008 Real Dollars (1996)





# Government Payments

Direct government payments to Idaho agriculture,  
1950-2008



## Idaho payments 2008

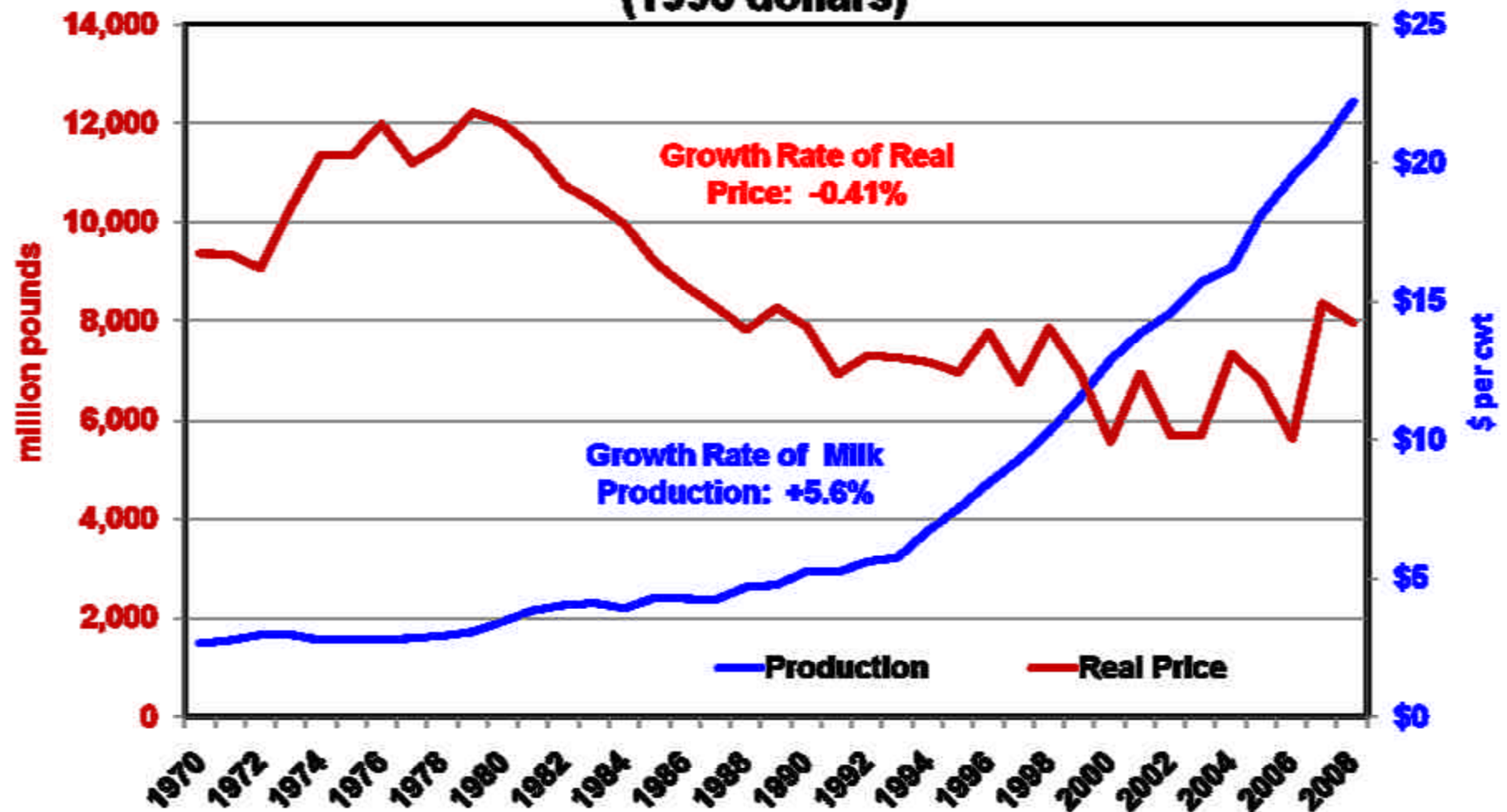
- \$116 million
- 7% of NFI
- 0.9% of total US farm payments

## U.S. payments

- 2008 – 14% of NFI

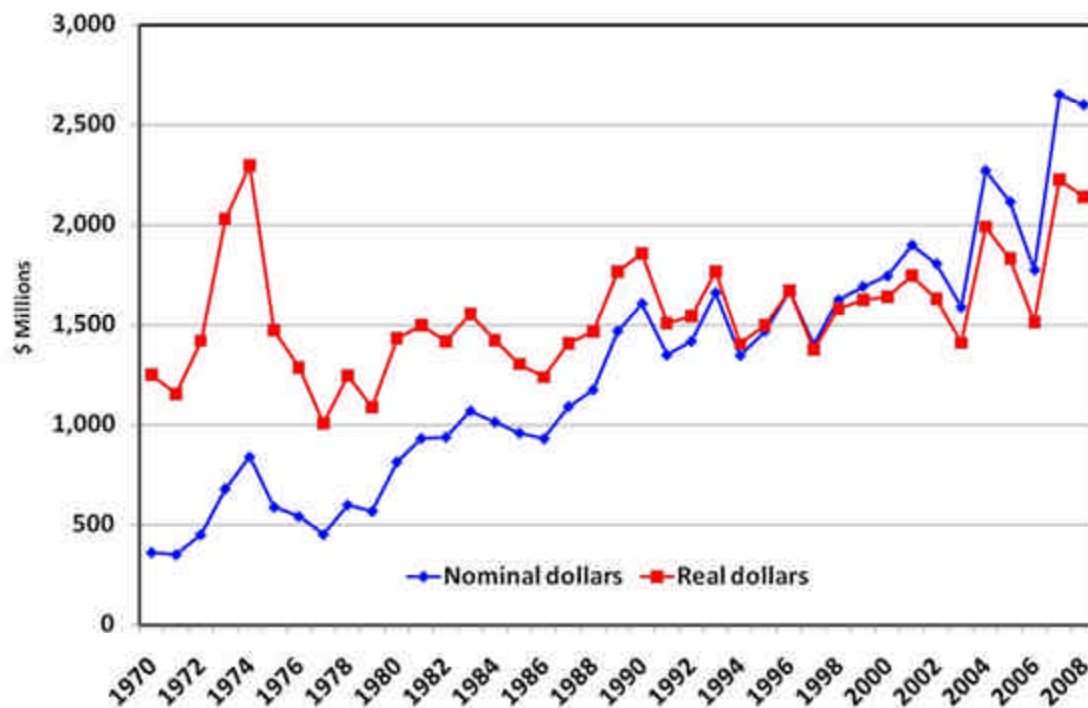
# Idaho Milk Production & Real Price: 1970- 2008

(1996 dollars)



# Net Value Added

Net Value Added, 1970-2008



**Nominal 2008 : \$2.6 B**  
down 2% from 2007

**Real 2008: 36% above 40  
year average**

**Crops and Livestock:**  
(% Total Idaho GSP)

- 2008: 3.3%
- 1974: 16%